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2001 Regular Session

By Representatives Anderson, Rockefeller, Quall, Cox, Fromhold, Miloscia, Pflug, Talcott, Santos and Keiser

Read first time 02/12/2001. Referred to Committee on Education.

1 AN ACT Relating to legislative review of school district financial
2 management practices; adding a new section to chapter 44.28 RCW; and
3 adding a new chapter to Title 28A RCW.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** The legislature finds that use of best
6 financial management practices by school districts leads to efficient
7 and effective use of state and district resources, improves district
8 performance and accountability, and helps build public confidence in
9 district operations. Therefore, the legislature intends to design and
10 implement an evaluation system to determine if school districts are
11 employing best financial management practices.

12 NEW SECTION. **Sec. 2.** (1) The joint legislative audit and review
13 committee, with the assistance of the state auditor, shall design a
14 system that can be used to evaluate whether a school district is
15 employing best financial management practices. The system must include
16 the identification of criteria that can be used to evaluate financial
17 management practices in specific functional areas. The specific
18 functional areas in the system must include at least the following:

- 1 (a) Management structure;
- 2 (b) Performance accountability;
- 3 (c) Delivery of educational services, including instructional
- 4 materials;
- 5 (d) Administrative and educational technology;
- 6 (e) Personnel systems and benefits management;
- 7 (f) Facilities construction, including use of state and district
- 8 construction funds;
- 9 (g) Facilities maintenance;
- 10 (h) Student transportation;
- 11 (i) Food service operations;
- 12 (j) Cost control systems, including asset management, risk
- 13 management, financial management, purchasing, internal auditing, and
- 14 financial auditing;
- 15 (k) Safety and security; and
- 16 (l) Community involvement.

17 (2) In designing the evaluation system, the committee shall consult
18 with the appropriate committees of the legislature, the state auditor,
19 the office of financial management, the office of the superintendent of
20 public instruction, the state board of education, educational service
21 districts, and other appropriate community and educational
22 organizations.

23 NEW SECTION. **Sec. 3.** (1) Upon completion of the evaluation system
24 created under section 2 of this act and to the extent that the
25 legislature provides specific appropriations for this purpose, the
26 committee, with the assistance of the state auditor, shall conduct
27 three school district financial management practices reviews using the
28 new evaluation system during the 2001-2003 biennium. The committee
29 shall complete one school district review in fiscal year 2002 and two
30 school district reviews in fiscal year 2003. The committee shall
31 select the three districts to be reviewed as follows: One district
32 with a student population of less than five thousand; one district with
33 a student population between five thousand and ten thousand; and one
34 district with a student population greater than ten thousand. The
35 committee may contract with and consult with public and private
36 entities as necessary in conducting the school district reviews.

37 (2) Upon selection of a school district for a review under
38 subsection (1) of this section, the committee shall notify the school

1 district that the review is commencing. The school district financial
2 management practices review shall be completed within six months after
3 the school district receives this notification. Within sixty days of
4 completing the review, the committee shall issue a final report
5 assessing the degree to which the school district employs best
6 financial management practices and including any recommendations for
7 improving the district's financial management practices. The committee
8 shall provide a copy of the final report to the school district, the
9 appropriate committees of the legislature, the state auditor, the
10 office of the superintendent of public instruction, the state board of
11 education, and the office of financial management.

12 (3) Upon completion of the three school district financial
13 management practices reviews, the committee, in consultation with the
14 state auditor, shall recommend to the legislature whether to conduct
15 additional school district reviews in future biennia.

16 NEW SECTION. **Sec. 4.** (1) If a school district review conducted
17 under section 3 of this act concludes that a school district is
18 employing best financial management practices, the state board of
19 education may acknowledge the district's efforts through issuance of a
20 "seal of best financial management practices." This acknowledgment is
21 effective for five years or until the next review is completed,
22 whichever is sooner.

23 (2) If a school district review concludes that a district is not
24 conforming with best financial management practices, the school
25 district shall review the recommendations from the final report and
26 shall provide a response to the committee within ninety days of receipt
27 of the report on how the district plans to implement the
28 recommendations and otherwise move forward to adopt best financial
29 management practices. The plan submitted by the district must include
30 a schedule that will result in the district's adoption of best
31 financial management practices within two years. The plan is subject
32 to approval by the committee.

33 (3) Within one year of submission of the plan, the district shall
34 submit an initial status report to the committee on implementation of
35 the district's plan. The district shall submit a second status report
36 no later than one year after the submission of the initial status
37 report. The status reports must include documentation of changes in
38 financial management practices, actual cost savings, cost avoidances,

1 and other financial management efficiencies. With the assistance of
2 the state auditor, the committee shall assess the school district's
3 progress in implementing its plan and shall determine if the district
4 is successfully employing best financial management practices. Upon
5 such a finding, the school district may be acknowledged as provided in
6 subsection (1) of this section.

7 NEW SECTION. **Sec. 5.** Sections 1 through 4 of this act constitute
8 a new chapter in Title 28A RCW.

9 NEW SECTION. **Sec. 6.** A new section is added to chapter 44.28 RCW
10 to read as follows:

11 The joint committee, with the assistance of the state auditor,
12 shall design a system that can be used to evaluate whether a school
13 district is employing best financial management practices and shall
14 conduct reviews of school district financial management practices as
15 provided in chapter 28A.--- RCW (sections 1 through 4 of this act).

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